

**MINUTES
of the
SIXTH MEETING
of the
JOBS COUNCIL**

**November 16, 2015
Room 307, State Capitol
Santa Fe**

The sixth meeting of the Jobs Council (council) was called to order by Representative Don L. Tripp, co-chair, on November 16, 2015 at 9:09 a.m. in Room 307 of the State Capitol.

Present

Sen. Mary Kay Papen, Co-Chair
Rep. Don L. Tripp, Co-Chair
Dale Armstrong
Terri L. Cole
Jason Espinoza
Rep. Roberto "Bobby" J. Gonzales
Sen. Stuart Ingle
Rep. Sarah Maestas Barnes
Rep. W. Ken Martinez
Sherman McCorkle
Terry McDermott (for Terry Brunner)
Sen. George K. Munoz
Sen. Michael Padilla
Alex O. Romero
Sen. Michael S. Sanchez
Eric Witt

Absent

Vicente Alvarado
Rep. Tim D. Lewis
Sen. John C. Ryan
Sen. Mimi Stewart
Sen. Pat Woods

Advisory Members

Rep. David E. Adkins
Rep. Alonzo Baldonado
Sen. Carlos R. Cisneros
Rep. Kelly K. Fajardo
Rep. Stephanie Garcia Richard
Rep. Bealquin Bill Gomez
Rep. Conrad James
Rep. Larry A. Larrañaga
Rep. Bill McCamley
Rep. Debbie A. Rodella

Rep. Cathrynn N. Brown
Sen. William F. Burt
Rep. Yvette Herrell
Sen. Howie C. Morales
Sen. Steven P. Neville
Rep. Patricia Roybal Caballero
Sen. William P. Soules
Rep. Monica Youngblood

Guest Legislators

Rep. Jimmie C. Hall

Rep. Patricia A. Lundstrom

Staff

Tessa Ryan, Staff Attorney, Legislative Council Service (LCS)

Monica Ewing, Staff Attorney, LCS

Minutes Approval

Because the committee will not meet again this year, the minutes for this meeting have not been officially approved by the council

Guests

The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file.

Monday, November 16**Summary of Jobs Council's Interim Work; Institutionalizing the Jobs Council Process**

Mark Lautman, director, Lautman Economic Architecture, reviewed the council's 2015 interim goals. The council chose to focus during 2015 on: developing a process for prioritizing economic development initiatives; assessing the number of new jobs needed to return the state to economic health; and identifying a legislative agenda for the 2016 legislative session.

Mr. Lautman introduced the other members of the council's contract team, Charles Lehman, director, Employment and Economic Information Center of New Mexico, Paul Hamrick and Dale Hendrickson, and noted that much of the contract team's work during the interim was conducted in 24 meetings throughout the state. Mr. Lautman reported that the contract team collected job-creation data for every county in the state in those meetings, but added that the data are more reliable for some counties than for others.

Mr. Lautman said that the creation and preservation of economic-base jobs is the most important economic activity in the state. When the state makes economic development investments, it should consider whether those investments will support the creation and preservation of economic-base jobs, he said.

The council agreed on criteria to analyze proposed economic development and job-creation legislation. The criteria require consideration of whether the policy: is necessary for job creation; proposes to create jobs within three to five years; has the council's unanimous support; has bipartisan support in both houses of the legislature; and has support from the executive branch and constituents. Policies that meet all of those criteria are more likely to become law

and lead to job creation.

A council member asked about the reliability of data compiled by the contract team. Mr. Lautman explained that certain regions of the state conducted meetings without representation from the contract team and the discussions at those meetings and the data that resulted differ from data collected in other regions. He added that major policy changes should not be based solely on regional jobs data and that further data collection is needed.

A member expressed support for the online dashboard tool developed by the contract team and asked when data on created jobs would be reported on it. Mr. Lautman said that it can be difficult to measure newly created jobs and a system to ensure reliable reporting is needed. He added that he has begun work with the Workforce Solutions Department (WSD), the Economic Development Department (EDD) and local organizations to compile data on jobs that have been created.

A member emphasized the need for infrastructure improvement, and Mr. Lautman agreed that many areas of the state report that the lack of broadband infrastructure is a major impediment to job creation.

A member asked about the basis for the council's job-creation target. Mr. Lautman responded that the council worked to gather job needs estimates from each area of the state and compiled those estimates. Mr. Lehman added that the rate of unemployment varies throughout the state and that variation was considered in developing job-creation estimates for each region.

Mr. Lautman said that the state needs to create approximately 14,000 jobs each year over the next 10 years, and 10,000 of those 14,000 jobs are at risk of not being created without additional support from the state. He noted that significant job creation is possible through employer recruitment, retention and expansion in the state, but that this pursuit will require additional funding and economic development staff statewide.

Mr. Lautman presented a chart that shows the job-creation program "theaters" listed by the number of jobs that estimates suggest could be created in each theater. He noted that the listing provides information about the relative importance of each theater and of supporting job creation in each of those theaters.

In response to Mr. Lautman's statement that it is difficult to identify obstacles to job creation in the agriculture industries, a member said that it is possible that representatives of those industries would be able to provide information. Mr. Lautman agreed and added that a primary concern is how to allocate funding or program support to remedy obstacles that are identified by business owners.

Mr. Lautman said that Mr. Hamrick has been surveying the economic development organizations throughout the state to identify those organizations' capacities and needs. The

results of those surveys were presented in a chart on page 50 of Mr. Lautman's presentation materials. A member asked whether the figures on the chart represent annual data. Mr. Hamrick confirmed that the data represent annual figures.

Tourism Department (TD) Initiatives

Rebecca Latham, secretary, TD, reported that the state has experienced significant growth in tourism in the past five years. A recent economic impact study revealed that in 2014, tourism drove job growth in New Mexico and that one in 12 jobs in the state is supported by visitor spending. There has been a 4.2% increase in direct employment supported by visitor spending since 2011.

Secretary Latham said that the tourism dollars spent in the state in 2014 produced \$609 million in local and state tax revenue, which offsets the household tax burden for New Mexicans. She added that 2014 is the fifth consecutive year during which visitor spending has increased and that growth is driven by leisure travel. Seventy percent of visitors to New Mexico in 2014 were from other states. The amount of money the state spends on advertising the state to potential travelers relates directly to the visitor dollars spent in the state each year.

Over the summer, the TD conducted a return on investment study, which included a survey to determine participants' impressions of New Mexico as a potential place to start a business, live, visit or retire. The survey results showed that many of the participants who reported positive impressions of the state were also familiar with the department's New Mexico True advertisements.

Secretary Latham said that the department will request an additional \$4.7 million for fiscal year 2017. The additional money will be used to support advertising in existing markets and to expand advertising efforts into San Francisco, which is attractive in part because direct flights between New Mexico and San Francisco are available.

Jen Schroer, president and chief executive officer of the New Mexico Hospitality Association (NMHA), said that one of the most important factors of production for the hospitality industry is the need for vocational training for tourism-related jobs. There are hospitality programs at Central New Mexico Community College (CNM), Santa Fe Community College, New Mexico State University (NMSU) and Eastern New Mexico University that are training graduates to be managers in that industry. The association would like to develop a statewide program to teach about the state's branding and about how to communicate with visitors about area activities and the state's visitor's bureaus. CNM and NMSU are interested in developing such a program.

Ms. Schroer said that the NMHA will request an appropriation of \$300,000 during the 2016 session to fund the development of the hospitality vocational training programs.

In response to a member's question about tourism-related job creation, Secretary Latham

said that the department considers the number of hospitality and leisure jobs compared with the number of jobs that are supported by visitor spending. She noted that every restaurant job is not funded entirely by tourism, but many of those jobs are supported by visitors. She said that the department expects to deliver a seven-to-one return on investment based on its measurement of growth of the New Mexico True campaign, which grew from a return of three-to-one to the current return of seven-to-one.

A member noted the importance of visitors' first impressions of the state and the prominence of road conditions in forming those impressions. The member said that the Department of Transportation (DOT) historically had approximately \$2 million in its budget for road beautification programs like "Toss No Mas". He added that he understands that the DOT has issued only two \$300 littering fines in its history, so enforcement of littering laws could be an issue. Secretary Latham agreed that visitors' impressions of roads is important and said that the department runs a program called New Mexico Clean and Beautiful, which provides money to communities and nonprofit organizations for litter eradication and beautification.

Another member remarked on the significant gross receipts tax revenue increase that coincides with the success of the New Mexico True campaign. He said that the budget increase requested by the TD is small in comparison. Secretary Latham added that New Mexico is under-spending on tourism marketing compared to its competitors. The member recalled that many visitors from Chihuahua, Mexico, come to the state to ski and suggested that advertising in that market could be productive.

Another member expressed support for marketing in the San Francisco area because of New Mexico's focus on supporting start-up businesses. Ms. Schroer said that initially the TD or the WSD would facilitate the hospitality vocational training program and the NMHA would be involved.

A member suggested that New Mexico focus on marketing the state as a conference destination.

In response to a question about the TD's work in rural communities, Secretary Latham said that rural communities can use department grants and sponsorships, in addition to the New Mexico True campaign, to market their communities. Regional marketing boards in the state also participate in marketing smaller and rural communities.

In response to a question about the department's choice to expand marketing to San Francisco in 2016, Secretary Latham said that it will be more difficult to access that market by 2018 and that the benefit of advertising there is expected to level off in the next several years. She added that if the legislature is unable to appropriate the \$4 million, the department would continue to strengthen the markets in which it currently advertises.

Report on Education and the Workforce

Dr. Barbara Damron, secretary of higher education, described the Higher Education Department's (HED's) long-term vision as one that values cohesion among institutions of higher education, between public education and higher education and between educational institutions and the workforce. To achieve that cohesion, she said, the HED will focus on creating consistency in credit hour requirements for undergraduate degrees and on aligning credit transfers from community colleges to universities. The department will also emphasize college preparation programs in high schools and the expansion of work opportunities for students. Loan repayment assistance will also be used to encourage employment in hard-to-fill jobs.

Secretary Damron said that coordination between employers and educational institutions is important to improving workforce outcomes. She highlighted the Innovation Academy at the University of New Mexico (UNM) and employment programs established at Clovis Community College, CNM and Doña Ana Community College. She also noted that proposed legislation — the Rapid Workforce Development Fund — would encourage collaboration between the HED and other departments to create education programs to quickly fill employers' workforce needs.

Secretary Damron also reported that the governor asked the WSD and the HED to develop an internship portal that will help college students identify and fill paid internships in the state and that the HED is studying employment outcomes for New Mexico's college graduates. Secretary Damron said that 80% of nursing baccalaureate graduates from New Mexico institutions find full-time employment in the state within the first year of graduating. Fifty-one percent of business baccalaureate graduates are employed full-time within a year of graduating. She added that dashboard resources are being developed to provide users with information about employment and salaries for graduates from various college programs.

Secretary Damron reported that the state is over- and under-producing graduates in many fields. The HED has collaborated with the National Center for Higher Education Management Systems to develop a workforce gap model. The model provides a visual representation of the market demand for several occupations and the average salaries for those occupations. The department will continue to refine, update and expand that model as part of a multistate project intended to effectively link higher education to the workforce and economic development.

A member expressed interest in the workforce gap model and asked for a spreadsheet representing the same information. Secretary Damron agreed to provide the information and said that the department is revising its website to include the workforce gap model information.

A member asked whether the HED has data on jobs that require two-year certificates or brief training courses rather than four-year degrees. Secretary Damron said that the department does not have that type of data, but that it could be gathered and provided.

Another member expressed support for the HED's work, but noted that it is important that the state's universities do not become focused only on producing graduates for specific jobs and

that they retain flexibility in the education they offer.

In response to a member's question, Secretary Damron said that the HED's focus on science, technology, engineering, mathematics and health (STEM-H) relates to both four- and two-year institutions.

Workforce Gap Study Pilot Program

Mr. Lehman told the council that, as reflected in his report titled "Workforce Gap Study Pilot Eastern Regional Board Preliminary November, 2015", the southeast part of the state is experiencing higher demands for health care workers, truck drivers, welders, electricians, construction workers and teachers. He said that with some funding, the information in his study and information available from state agencies could be combined to provide a comprehensive perspective on the state's workforce assets and needs.

Mr. Lehman explained that his report includes information on the workforce population in the southeastern part of the state along with workforce needs estimates, employer information, job vacancies and education and salary data.

Economic Development Programs of Los Alamos National Laboratory (LANL) and Sandia National Laboratories (SNL) — Small Business Tax Credit Update

Genaro Montoya, program leader for the New Mexico Small Business Assistance Program (SBA), SNL, informed the council that prior to 2000, federal funds were available for small business initiatives; however, the same level of funding is no longer available. His program's goal is to assist small businesses by using the laboratories' resources. The program receives requests for the laboratories' assistance from small businesses, and the program aims to provide assistance — in the form of laboratory and technical expertise and consultation — that is not already available on the market to ensure that the program does not compete with other small businesses. The laboratories are authorized to provide \$10,000 to \$20,000 worth of assistance, depending on the small business recipient's location.

Mr. Montoya explained that the laboratories each receive \$2.4 million in gross receipts tax credits in exchange for the assistance they provide to small businesses. The laboratories report the assistance they provide to the EDD, and they prepare annual reports for the Taxation and Revenue Department and the EDD.

Micheline Devaurs, program manager of market transition for LANL, said that LANL joined the program in 2007. The program report shows that \$43.7 million worth of assistance has been provided and over half of the businesses that received assistance are from rural areas of the state. Ms. Devaurs highlighted a Santa Fe start-up business served by the program. The business — Pharma Connect Xpress — sought to develop innovative software to assist health care providers in communication with the pharmaceutical industry.

Jackie Kerby Moore, manager of technology and economic development, SNL, reported that she has been in charge of the SNL program for 15 years. She said legislators often ask about how to help the program, and she has discussed the possibility of starting a technology maturation program. The program would create a public-private partnership that would allow for New Mexico small businesses to license technologies from the laboratories or universities and receive assistance — anywhere from \$50,000 to \$250,000 per project — from the program to mature the licensed technology into a market-ready product. She suggested that the program be initiated with \$2.5 million per year for five years and that a program evaluation be performed after the fifth year to determine its efficacy.

A member expressed interest in the maturation program and asked that she present the idea to the Revenue Stabilization and Tax Policy Committee.

In response to a member's question, Mr. Montoya said that the program consults with an advisory council with respect to each project the program proposes to assist. The advisory council is composed of venture capital investors and angel investors. Ms. Moore added that the state's SBA has become a model for other states.

In response to a member's question, Ms. Moore said that the kind of technology that could be licensed as part of the maturation program could be, for example, a technology patented by a professor at one of the state's universities.

Advisory Council on Workers' Compensation and Occupational Disease Disablement (ACWCODD) — 2016 Legislative Agenda

James Magoffe, safety manager, Yearout Mechanical, told the council that he has been on the ACWCODD working on workers' compensation legislation for two years. He reported that the ACWCODD has worked diligently to prepare legislation.

Kevin J. McGinley, chair, ACWCODD, reviewed the statutorily based mission of the Workers' Compensation Administration (WCA) and the mission of the ACWCODD. He said that the state's workers' compensation system is challenged by a lack of clarity in the statutes and because the statutory incentives for workers to return to work have been eroded.

Mr. Magoffe said that a 2016 legislative proposal would clarify the result of an injury caused by drugs or alcohol. He said that a New Mexico Court of Appeals decision characterized the statutory provisions that address intoxication as confusing and unworkable. He said that surveys report that many people support reduced benefits when intoxication is a factor in an injury. Another provision that needs clarification relates to return to work. He emphasized that outcomes are better for workers and employers when injured employees return to work with the same employer. He suggested that employers be encouraged to make return-to-work offers to injured employees and that employers' rights when a worker who returns to work engages in misconduct or is terminated for cause after returning be clarified.

Mr. Magoffe also suggested that the workers' compensation system needs to be evaluated.

Mr. McGinley said that the committee is still working on draft legislation and reiterated the need for an evaluation of the system, using an appropriation from the legislature. He said that the ACWCODD unanimously agreed that the legislature also should address the diversion of funds from the WCA's fund.

A member expressed support for work on the workers' compensation statutes and agreed that outcomes are better when injured workers return to work.

In response to a member's question about 2016 legislation, Mr. McGinley said that the intoxication-related bill is ready for introduction, but said that the return-to-work bill needs to be simplified. He reported that the ACWCODD believes that the governor will support introduction of workers' compensation bills.

A member agreed that the intoxication-related bill has received significant consideration and revision and is probably ready for introduction in the 2016 session. Mr. McGinley informed the council that the ACWCODD was not seeking the council's endorsement of legislation.

In response to a member's comment, Mr. McGinley said that the WCA is hoping that the retroactive portion of a recent New Mexico Supreme Court decision on workers' compensation coverage for agricultural workers will be eliminated.

After a short discussion, the council voted unanimously to endorse the bill providing an appropriation for an evaluation of certain workers' compensation system components (.202400.1).

Growing the Agricultural Sector: The Impact of Agriculture on New Mexico's Economy; Challenges in Agriculture; Right to Farm; Regulation Challenges, Labor Issues and Operation Costs; Boots on the Ground Tour

Dr. Jim Libbin, interim dean, College of Agriculture, Consumer and Environmental Sciences, NMSU, emphasized the importance of agriculture to the state's economy. Agricultural production, he said, is the most important part of the economy in three of eight regions represented in the report presented to the council titled "Agriculture's Contribution to New Mexico's Economy". He added that cash receipts from agricultural production in the state are greater than \$4 billion as of 2013. Those products include milk, beef, hay, pecans, onions and chile.

Greg Carrasco, vice president and branch manager, Farm Credit of New Mexico (FCNM), said that FCNM is structured as a cooperative, has a board of directors and provides financing for agricultural institutions. He noted changes in the agricultural industry, including the fact that many crops grown in the state are increasingly being grown outside the state and country. He informed the council that zoning changes, regulation and water rights litigation all

have a significant impact on agriculture, and it is difficult for financial institutions to continue to lend money to people whose ability to farm or ranch on their land may be impaired.

John DeRuyter, owner and operator, Mountain View Dairy, told the council that he is a third-generation dairy farmer who employs 30 people and buys corn, alfalfa and oats from New Mexicans to support his dairy. He said that 180 dairies operated in the state in the past and currently far fewer dairies are in operation. He expressed uncertainty about his ability to continue to operate his dairy or to pass the family business on to his son. He emphasized that, without changes to the law to protect agricultural businesses, he will not be able to continue to invest in the state's economy and will likely move to more-business-friendly Texas.

Duane Gillis, owner, Gillis Farms and Desert Springs Produce, informed the council that his family business grows onions, chile, alfalfa and corn on 3,300 acres. He said that audits by the federal Environmental Protection Agency and the federal Food and Drug Administration create a burden for his business. He said that, like Mr. DeRuyter, he does not believe his son will be able to take over the family business.

Craig Ogden, co-operator, Lookout Farms, told the council that he is a third-generation agricultural employer. Agriculture has been a stable part of the state's economy and it can continue to be successful with legislation to stabilize the regulation of the agriculture industry, he said. He invited council members to tour some of the state's agricultural operations to better understand the obstacles they face.

Jeff M. Witte, director, New Mexico Department of Agriculture, agreed that the agricultural industry in the state is in transition. He said that the obstacles faced by the current generation of agricultural business owners will discourage the continuation and growth of the industry. He also emphasized the need for a stable regulatory environment for farmers and ranchers for the state to remain competitive with neighboring states.

In response to a member's question, Mr. Carrasco said that water is a crucial issue for agriculture and that the uncertainty of water rights, the subject of decades of litigation, affects agricultural operations. A member said that agriculture represents 51,000 jobs in the state.

In response to a question about the expansion of a cheese business in Tucumcari, Mr. Carrasco said that the expansion was funded in part by his institution. He said the business employs about 400 people and will add another 50 employees because of the expansion.

Another member said that many of the issues identified by the presenters are actually issues that can only be addressed by the federal government. The member said that the council might provide assistance by announcing its support of the industries. Mr. Carrasco emphasized the importance of state representation when resource management plans are developed in connection with national monuments located in New Mexico.

A member informed the council about upcoming legislation to approve the growing of agricultural hemp, a crop that uses very little water.

Mr. McDermott informed the presenters that the United States Department of Agriculture (USDA) provides grants for producers of value-added products. The USDA can also provide assistance with farmers' transition from diesel to solar operations.

**Proposed Legislation: Rural Infrastructure Tax Credit; Scenic Byways Program
Appropriation**

Representative Lundstrom informed the council that if the state is focused on supporting the creation of jobs in the "employer" theater, it should also be focused on the state's lack of available buildings and storage facilities, which are needed by businesses that wish to move to the state.

Michael Sage, deputy director, Greater Gallup Economic Development Corporation (GGEDC), said that McKinley County has an unemployment rate of 9.9% as compared with the state's rate of 6.8% and the United States' rate of 5.1%. The GGEDC works with the New Mexico Partnership to try to encourage new businesses to locate in McKinley County; however, the fact that there are few or no available commercial real properties for businesses to occupy is consistently a consideration.

David Hinkle, president and chief executive officer, Gallup-McKinley County Chamber of Commerce, told the council that he would like to be able to encourage businesses to create high-paying jobs in the state. Business proposals consistently include inquiries about available commercial real properties. As a potential solution to this issue, Mr. Hinkle explained a draft bill presented to the council (.202253.3), which would provide a tax credit of up to \$1 million to a taxpayer that makes certain investments in the state.

Representative Lundstrom said that the bill is intended to stimulate economic growth and would be carried by Representative James R.J. Strickler and co-sponsored by her.

In response to a member's question, Mr. Hinkle said that a sufficient incentive is one that encourages the desired activity, and at this point the state has not appealed to employers to locate their businesses in the state, in part because of a lack of buildings.

A member recalled that the same legislation faced obstacles in committee hearings during the 2015 legislative session.

The council endorsed the legislation by roll call vote.

Representative Lundstrom presented a second proposed bill to provide an appropriation to support the state's scenic byways program. She said that the program has not been funded for some time, but is very compatible with the New Mexico True campaign. She expressed

optimism that the program could help encourage visitors to travel to many of the state's communities.

A member expressed support for the legislation and for the program. Another member noted that many travelers use digital applications to guide their travel routes and suggested that an application could be developed.

In response to a member's question, Representative Lundstrom said that the program could be administered by the TD, the EDD or the DOT, but she thought the TD would be most appropriate because of the relationship of the program to the New Mexico True campaign.

The council endorsed the appropriation.

Legislative Initiatives Update

Mr. Lehman and Mr. Lautman reviewed a chart titled Legislative Interim Jobs Council Initiatives Approved. They reviewed the 12 initiatives that were previously discussed by the council.

Senator Papen asked if any member of the council objected to supporting the 12 initiatives. One member stated concern about the lack of prioritization among the 12 items because some of them are more important than others.

Mr. Lautman said that the council would be voting just to express support of the proposals, which could help the bills progress through the legislature during the legislative session.

Mr. Lehman and Mr. Lautman reviewed additional initiatives proposed in a document titled "Interim Jobs Council Proposed Legislative Approval November 16, 2015". The initiatives provided for: 1) \$150,000 to fund metrics and accountability initiatives; 2) \$4.7 million and \$300,000 for tourism and hospitality; 3) \$408,600 to support the NMSU outreach project; 4) support for a public-private partnership bill relating to utilities and broadband; 5) support for the rural infrastructure tax credit (endorsed earlier in the meeting); 6) \$2.5 million to support the technology maturation program; and 7) support for continuing council activities. The council included the \$500,000 appropriation for the scenic byways program that was previously endorsed, but not included on the list.

The council approved each item on the list and the appropriation for the scenic byways program.

The council approved the minutes for the October meeting.

Adjournment

There being no further business before the council, the sixth meeting of the council for

the 2015 interim adjourned at 5:46 p.m.

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